

In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330. (This is a GIL).

June 14, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated April 13, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We have been requested by COMPANY to secure a tax determination from the State of Illinois on all of our in-plant scales.

Attached is a listing of the scales, including a brief description of how each scale is used in our plant.

Your prompt attention, in this matter will be greatly appreciated.

As noted above, we cannot provide a binding determination in the context of a General Information Letter. However, we will provide the following general information for your consideration.

Enclosed is a copy of 86 Ill. Adm. Code 130.330 concerning the Manufacturing Machinery and Equipment Exemption. In general, the Retailers' Occupation Tax does not apply to sales of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease.

The manufacturing process is the production of articles of tangible personal property, whether such articles are finished products or articles for use in the process of manufacturing or assembling different articles of tangible personal property by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant, Section 130.330(b)(2).

The question of whether scales could qualify for the exemption depends upon how they are used. If machinery or equipment is used to measure the tangible personal property to be sold where such function is an integral part of the production flow, then it could qualify. See 86 Ill. Adm. Code 1340.330 (d)(3)(C).

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However, the exemption does not extend to machinery or equipment used primarily to weigh materials prior to their introduction into the production cycle or subsequent to the completion of the production cycle. See 86 Ill. Adm. Code 130.330(d)(4)(C) and (D). Therefore scales used primarily to measure materials prior to their introduction into the processing line do not qualify and scales used primarily to weigh the finished product also do not qualify.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Karl W. Betz
Associate Counsel

KWB:msk
Enc.